

## Farmers & Merchants Bank

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P. O. Box 408  
Adamsville, Tennessee 38310-0408

April 28, 2006

Federal Housing Finance Board  
1625 Eye Street NW  
Washington, D.C. 20006  
Attn: Public Comments

To Whom It May Concern:

I was in a meeting on Monday April 24, 2006 in Nashville, Tennessee and heard the details of the proposed capital rule pertaining to the Federal Home Loan Banks, in particular the Cincinnati Bank. I understand this new rule is intended to strengthen the capital structure of the FHLBanks which is a good thing. However, from what I heard in the meeting on Monday this might not be such a good thing for the Member Banks of which Farmers & Merchants Bank is one.

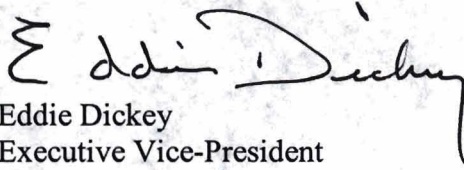
The Cincinnati Bank has paid a stock dividend for nineteen consecutive years. The IRS permits members to defer the payment of applicable income tax on FHLBank stock dividends as long as FHLBank has the discretion to honor stock redemptions; such benefit does not apply to cash dividend and could adversely impact several Member Banks as it would cause a taxable event for some members.

As I understand the new rule could substantially lower dividend rates during the transition period. Could require higher activity stock requirements for advances, and would reduce the economic value of member's capital investment among other things.

It was also told to the member's attending the Monday meeting that the Bank would need to end its "New Neighbors" program, a \$15 million grant program that provides permanent housing assistance to those displaced by the recent Gulf Coast hurricanes of which our Bank have been a participant. The Bank also said it would need to stop its American Dream Homeownership Challenge, a \$1 million housing program for minorities and people with special needs. I have in my hand at this writing a "Newsline" from the FHLB/Cincinnati stating the temporarily suspension of these program by the Board of Directors.

It seems to me after looking over all of the information concerning this new proposed capital rule that it is not in the best interest of the Member Bank's or the general public. Therefore, I would like to request that you reconsider the passing of this rule.

Yours truly,

A handwritten signature in black ink, appearing to read "Eddie Dickey". The signature is fluid and cursive, with a large initial "E" and a long, sweeping underline.

Eddie Dickey  
Executive Vice-President

cc: FHLBank/Cincinnati  
Senator Bill Frist  
Senator Lamar Alexander  
Representative Marsha Blackburn